

**Testimony of
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Lansing, Michigan
Before the
Senate Energy & Technology Committee
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Lansing, Michigan**

Good afternoon. My name is Craig Borr and I am the President & Chief Executive Officer of the Michigan Electric Cooperative Association in Lansing, Michigan. My thanks to Chairman Nofs for allowing MECA to testify on SB 437 and related energy policy issues. This afternoon I plan to provide comments in three specific areas: (1) the establishment of new Integrated Resource Planning (IRP) practices for Michigan's electric utilities; (2) proposed changes to Michigan's Customer Choice & Electric Reliability Act; and (3) SB 282, the transmission legislation introduced earlier this year by Senator Tom Casperson.

MECA is the statewide trade association for Michigan's 11 electric cooperatives who collectively serve more than 300,000 homes, farms and businesses throughout portions of 59 of Michigan's 83 counties [1]. Electric cooperatives are not for profit member-owned and controlled utilities governed by boards of directors that are elected by the membership.

MECA supports many of the changes in energy policy that have been developed in SB 437 and 438 and thanks Senator Nofs as well as Vice Chairs Proos and Hopgood for their leadership in the energy policy workgroup that developed many of these recommended legislative changes. However, we believe there are three areas that can be addressed to make this Senate legislation even stronger.

First, I want to address the proposed new Integrated Resource Planning (IRP) process contained in Senate Bill 437. MECA is opposed to an IRP process for electric cooperatives. We understand why this process is needed and necessary—particularly for the state's two largest investor-owned utilities who will be adding significant amounts of new generation to their fleets over the next several years.

MECA is not opposed to a thorough IRP process, led by the Michigan Public Service Commission, for the state's two large utilities due to the fact that they have a profit motive and they will be adding billions of dollars of new generation investment in the next several years.

However, MECA does not believe a new "central generation planning" process for the state's publicly owned utilities, such as electric cooperatives, is necessary. Electric cooperatives exist with one very simple mission-- to serve our consumers with reliable and affordable power supply. This new regulatory process will be both expensive and time consuming and we do not believe the state's involvement in the decisions of our democratically elected local governing boards is necessary. Michigan's municipal electric utilities share our views on this matter.

MECA also has concerns with proposed changes in SB 437 that pertain to electric customer choice. First, let me point out that MECA has a member-cooperative, Wolverine Power Marketing Cooperative (WPMC), that has been successfully operating in Michigan's electric choice markets on a not-for-profit basis for more than a decade. WPMC proudly serves some of our state's leading companies such as Dow Chemical, Amway, General Mills and Herman Miller and has saved its member-consumers nearly \$100 million in energy costs since its inception.

For the record, I believe it is important to state MECA's position on electric choice because it is consistent in many ways with the proposed changes in SB 437. MECA supports the 10% choice cap in Michigan for all utilities as well as proposed statutory changes that will require Alternative Electric Suppliers (AESs) to demonstrate long-term electric generating capacity in Michigan to support electric choice transactions. Finally, MECA believes electric choice customers should not be able to transition to/from electric choice based upon market conditions thereby using the local utility as a "safety net".

WPMC will be testifying before this Committee at next week's hearing and offer more specifics on changes to SB 437 that meet the choice parameters that I just stated while leveling the playing field so that Michigan utilities and AES providers operate under the same rules. As I stated previously, MECA supports several of the changes to electric choice being proposed in SB 437 but also believes there are provisions in the legislation that need to be modified or they will slowly "choke" competitive retail choice markets here in Michigan.

Finally, MECA believes that the energy policy discussion that is currently ongoing in the Michigan Legislature must include a hearing and dialogue around Senate Bill 282—the Michigan Electric Infrastructure Act. This legislation would foster an independent examination of the costs and benefits of constructing a new, high voltage transmission line between Michigan’s two peninsulas. Michigan’s Upper Peninsula has suffered from “energy policy neglect” for far too long and MECA believes this issue should be the subject of a Committee hearing before the Senate Energy & Technology Committee as it has been in the House Energy Policy Committee.

MECA applauds Senator Nofs and the Committee for its work on SB 437 and 438 and thanks the Chairman for including our thoughts throughout this process.

On behalf of Michigan’s electric cooperatives, I would like to thank Chairman Nofs and members of the Senate Energy & Technology Committee for your time today. I am happy to answer any questions.

[1] MECA’s membership consists of the following: Alger Delta Cooperative Electric Association, Cherryland Electric Cooperative, Cloverland Electric Cooperative, Great Lakes Energy Cooperative, HomeWorks Tri-County Electric Cooperative, Midwest Energy Cooperative, The Ontonagon County Rural Electrification Association, Presque Isle Electric & Gas Co-op, Thumb Electric Cooperative, Wolverine Power Marketing Cooperative, and Wolverine Power Supply Cooperative, Inc.

Michigan’s electric cooperatives maintain over 36,000 miles of line to serve approximately 310,000 meters. This results in an average of approximately eight customers per mile of line. This compares to approximately 35 customers per mile for the average investor-owned utility and over 90 customers per mile for some municipal systems. As for annual kWh sales per mile of line, the cooperatives average 60,500; the IOUs 725,000; and municipals top the scale at 1,950,000 kWh per mile per year. Approximately 95% of cooperative customers are residential. Several cooperatives serve a considerable number of seasonal homes and cottages where annual usage is low, but maintenance and the annual cost to serve may be higher.